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DE RUEHSN #0006/01 0061419
ZNR UUUAA ZZH
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FM AMEMBASSY SAN SALVADOR
TO RUEHC/SECSTATE WASHDC 0547
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUEHME/AMEMBASSY MEXICO 6791
RUEHBR/AMEMBASSY BRASILIA 0155
RUEHPU/AMEMBASSY PORT AU PRINCE 0259
RUEHDG/AMEMBASSY SANTO DOMINGO 0788
RUEHKG/AMEMBASSY KINGSTON 0423
RUEHOT/AMEMBASSY OTTAWA 0362
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC

UNCLAS SAN SALVADOR 000006

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SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [ENRG](#) [EINV](#) [EPET](#) [ES](#)

SUBJECT: OAS AND IOA HOLD REGIONAL CONFERENCES ON RENEWABLE ENERGY

¶1. SUMMARY: The OAS and the Institute of the Americas (IOA) organized two USG-funded regional conferences on renewable energy in San Salvador on December 11-12. At the December 11 OAS conference, delegates from Central and North America discussed their current energy matrices and policies to improve cooperation and boost investment in renewable energy. The IOA event brought a diverse group of energy specialists and private sector leaders to discuss global economic trends, regional integration and other factors affecting investment in renewable energy. Speakers at the IOA meeting also provided numerous examples of renewable energy projects in Central America and illustrated the regional opportunities and challenges that face project developers. Panelists at both conferences noted constraints posed by oil price volatility and the global financial crisis but underscored the long-term environmental and economic benefits of renewable projects. During panels and separate press roundtables, biofuels consultants highlighted technical assistance projects promoting biofuels development under the U.S.-Brazil initiative. END SUMMARY.

¶2. Ambassador Glazer joined Minister of Economy Ricardo Esmahan and OAS Executive Secretary for Integral Development Alfonso Quinonez to open the OAS Forum on Sustainable Energy for Central and North America on December 11. In his remarks, Ambassador Glazer highlighted U.S. engagement in promoting renewable energy through support for sub-regional OAS meetings on renewable energy and technical assistance to promote biofuels under the U.S.-Brazil initiative. To underscore U.S. sponsorship of both conferences, the Ambassador also hosted a reception on December 11 for guests from both events.

HIGH POTENTIAL FOR RENEWABLES IN CENTRAL AMERICA

¶3. During the opening panel, energy specialists from regional organizations noted Central America's dependency on oil imports and the expected doubling of energy demand over ten years, but underscored the high potential for renewable energy projects. An energy specialist from the Central American Bank for Economic Integration (CABEI) estimated that Central America can potentially produce 36,000 MW of renewable energy, nearly six times current demand, with most of this potential - 31,000 MW - in hydroelectric projects. Several panelists pointed out that carbon credits have increased the economic incentives for renewable projects and commented that environmental benefits will grow more important with increasing focus on climate change initiatives.

¶4. Delegations and regional organizations discussed policies and programs for promoting renewable energy. Panelists from the Inter-American Development Bank and CABEI discussed regional

programs for financing renewable energy projects. The planning director from Mexico's energy agency described detailed energy conservation and diversification strategies that Mexico is implementing to reduce dependency on oil and lower its carbon footprint. A generation company manager from Panama discussed how regulatory frameworks allowing long-term energy contracts have helped to encourage investment in Panama.

TRANSPARENT RULES NEEDED FOR REGIONAL INTEGRATION

¶15. During the private sector forum organized by the Institute of the Americas on December 12, many speakers emphasized the importance of establishing a clear and consistent regulatory framework to encourage investment in renewable energy and regional integration. Several panelists noted that the Central American Energy Electrical Interconnection System (SIEPAC) is developing a regional transmission line, but participating countries have lagged in developing a regional regulatory framework necessary for regional energy markets to develop.

¶16. Some business leaders expressed doubts that Central American countries will agree to a regulatory framework to allow significant long-term trade in electricity within the region. With regional leaders having diverse views on state intervention in markets, companies fear they may be reluctant to curtail their ability to restrict energy exports during energy shortages. Nevertheless, U.S.-owned Cutuco Energy expressed confidence that a regional framework will be developed that will enable Cutuco to develop a 550 MW gas-fired power plant in El Salvador targeting the regional market.

¶17. Panelists in both conferences commented that recent reduction in oil prices and credit shortages caused by the global financial crisis may delay future renewable energy projects. Several noted, however, that those companies that can secure financing will find turbine and investment costs lower due to sharp cutbacks on new generation projects around the world. A representative of Mesoamerica Energy discussed ongoing projects to develop 400 megawatts in wind power projects in Central America, showing that wind energy remains economically viable despite low oil prices and financial constraints. Speakers also emphasized that recent oil price volatility underscores the long-term need for energy diversification, and that energy policies need to rest on a long-term vision.

U.S.-BRAZIL BIOFUELS INITIATIVE

¶18. During the IOA conference on December 12, consultants from Energy Security Group (ESG), Arkel Sugar and Winrock International discussed their projects to promote biofuels in El Salvador, Haiti and the Dominican Republic under the U.S. Brazil initiative. David Walden provided an overview of prospects for biofuels projects in El Salvador, Haiti and the Dominican Republic and described Winrock's mission to identify technical assistance projects to promote biofuels in these three target countries. ESG and Arkel consultants described their ongoing projects to develop an ethanol policy framework and conduct a feasibility study for sugar mills to invest in ethanol production. Biofuels researcher George Philippidis presented a recent study showing high potential for ethanol production in Central America, once a supporting policy framework is established.

¶19. During two separate press round-table discussions, the biofuels consultants and EEB/EPSC Office Director Matt Rooney discussed U.S. involvement in promoting biofuels under the U.S.-Brazil partnership.

¶10. Presentations from both forums are available on the following websites: <http://www.oas.org/dsd/recep/ReunionElsalvador.htm> and <http://www.iamericas.org/presentations/energy/Salvador08/>